

**ALASKA STATE LEGISLATURE
SENATE STATE AFFAIRS STANDING COMMITTEE**

March 2, 2021

3:33 p.m.

MEMBERS PRESENT

Senator Mike Shower, Chair
Senator Lora Reinbold, Vice Chair
Senator Roger Holland
Senator Scott Kawasaki

MEMBERS ABSENT

Senator Mia Costello

COMMITTEE CALENDAR

SENATE BILL NO. 83

"An Act relating to elections; and providing for an effective date."

- HEARD & HELD

SENATE BILL NO. 84

"An Act relating to the veterans' land purchase discount; establishing state land vouchers; relating to the permanent fund dividend; relating to the duties of the Department of Revenue; authorizing the Department of Natural Resources to accept state land vouchers; relating to eligibility for public assistance; and providing for an effective date."

- HEARD & HELD

SENATE JOINT RESOLUTION NO. 1

Proposing amendments to the Constitution of the State of Alaska relating to the Alaska permanent fund and appropriations from the Alaska permanent fund.

- MOVED SJR 1 OUT OF COMMITTEE

PREVIOUS COMMITTEE ACTION

BILL: SB 83

SHORT TITLE: ELECTIONS; VOTING; BALLOT REQs

SPONSOR(s) : RULES BY REQUEST OF THE GOVERNOR

02/12/21	(S)	READ THE FIRST TIME - REFERRALS
02/12/21	(S)	STA, FIN
03/02/21	(S)	STA AT 3:30 PM BUTROVICH 205

BILL: SB 84

SHORT TITLE: LAND VOUCHERS; PFDS

SPONSOR(s) : RULES BY REQUEST OF THE GOVERNOR

02/12/21	(S)	READ THE FIRST TIME - REFERRALS
02/12/21	(S)	STA, RES, FIN
03/02/21	(S)	STA AT 3:30 PM BUTROVICH 205

BILL: SJR 1

SHORT TITLE: CONST AM: GUARANTEE PERM FUND DIVIDEND

SPONSOR(s) : WIELECHOWSKI

01/22/21	(S)	PREFILE RELEASED 1/8/21
01/22/21	(S)	READ THE FIRST TIME - REFERRALS
01/22/21	(S)	STA, JUD, FIN
02/09/21	(S)	STA AT 3:30 PM BUTROVICH 205
02/09/21	(S)	Heard & Held
02/09/21	(S)	MINUTE(STA)
02/11/21	(S)	STA AT 3:30 PM BUTROVICH 205
02/11/21	(S)	Scheduled but Not Heard
03/02/21	(S)	STA AT 3:30 PM BUTROVICH 205

WITNESS REGISTER

JOSH APPLEBEE, Chief of Staff
Lieutenant Governor Kevin Meyer
Juneau, Alaska

POSITION STATEMENT: Presented SB 83 on behalf of the administration.

CORI MILLS, Deputy Attorney General
Civil Division
Department of Law
Juneau, Alaska

POSITION STATEMENT: Answered questions and provided information related to SB 83.

GAIL FENUMIAI, Director
Division of Elections
Office of the Lieutenant Governor
Juneau, Alaska

POSITION STATEMENT: Answered questions related to SB 83.

MIKE BARNHILL, Deputy Commissioner
Department of Revenue (DOR)
Juneau, Alaska

POSITION STATEMENT: Presented a PowerPoint to introduce SB 84 on behalf of the administration.

MARTY PARSONS, Director
Division of Mining, Land, and Water
Department of Natural Resources (DNR)
Anchorage, Alaska

POSITION STATEMENT: Provided information related to SB 84.

SENATOR BILL WIELECHOWSKI
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Sponsor of SJR 1.

JOE GELDHOF, Board Member
Alaska Permanent Fund Defenders (APFD)
Juneau, Alaska

POSITION STATEMENT: Invited testimony in support of SJR 1.

RICK HALFORD, representing self
Chugiak, Alaska

POSITION STATEMENT: Invited testimony in support of SJR 1.

CRIS EICHENLAUB, representing self
Wasilla, Alaska

POSITION STATEMENT: Stated that he supported SJR 1 generally but he did not support the POMV or the elimination of the ERA.

SHERRY EICHENLAUB, representing self
Wasilla, Alaska

POSITION STATEMENT: Testified in support of SJR 1.

EDWARD MARTIN, representing self
Cooper Landing, Alaska

POSITION STATEMENT: Testified that SJR 1 is an important aspect of the future of Alaska and its children.

BERT HOUGHTALING, representing self
Big Lake, Alaska

POSITION STATEMENT: Testified on SJR 1 to state full support for enshrining the PFD in the constitution, but not the POMV draw or combining the ERA in the corpus.

ACTION NARRATIVE

[3:33:00 PM](#)

CHAIR MIKE SHOWER called the Senate State Affairs Standing Committee meeting to order at 3:33 p.m. Present at the call to order were Senators Holland, Kawasaki, Reinbold, and Chair Shower.

SB 83-ELECTIONS; VOTING; BALLOT REQS

[3:33:59 PM](#)

CHAIR SHOWER announced the consideration of SENATE BILL NO. 83 "An Act relating to elections; and providing for an effective date."

He listed the individuals available to answer questions.

[3:34:35 PM](#)

JOSH APPLEBEE, Chief of Staff, Lieutenant Governor Kevin Meyer, Juneau, Alaska, stated that SB 83 stems from the experience of the 2020 election cycle, which, due to COVID-19, was unlike any other. It offers four ideas for the committee to consider to help "bolster, tighten, and tweak" the election system.

First, SB 83 provides the director of the Division of Elections flexibility to conduct additional hand counts if the circumstances of the election warrant it. The statute currently only permits a hand-count verification on one randomly drawn precinct within each district. Further hand counts are allowed only if the hand count comes back with significant deviation. He said the division believes that the ability to audit more precincts to ensure confidence in the results would improve election integrity.

Second, SB 83 clarifies that two voter identifiers are required in order to apply for an absentee ballot, and that both a voter signature and identifier are required on an absentee ballot envelop. He said this is how the division interpreted and applied the law during the 2020 elections so this is codifying current practice.

MR. APPLEBY emphasized that SB 83 does nothing to change the requirement for a witness signature. He highlighted that the Lieutenant Governor and the Department of Law argued to keep that requirement in the 2020 election but were unsuccessful in

court. He further highlighted that that the court decision only applied to the 2020 elections and not any subsequent elections.

Third, SB 83 allows the director to establish in regulation the amount of deposit required for a recount. He noted that the amounts in the existing statute are outdated and do not cover the actual costs.

Fourth, SB 83 allows, but does not require, communities with a population of less than 750 to conduct elections by mail instead of in person. In the last election, some communities shut down their polling stations for legitimate health and safety reasons, but even in non-pandemic times it can be difficult to find staff and a polling location in small communities. This bill offers flexibility for the division to work with small communities to find the best way to ensure that every voter can exercise their right to vote.

[3:38:54 PM](#)

CHAIR SHOWER advised that he requested a meeting with the Lieutenant Governor's Office to try to prevent overlapping efforts between SB 83 and SB 39, which he sponsored.

[3:39:45 PM](#)

MR. APPLEBEE presented the sectional analysis for SB 83.

Section 1. Provides the Division of Elections the flexibility to count more than one random precinct in the ballot review process should the Director have concerns about the elections process.

Section 2. Clarifies a space for the voter identifier be made on the voter certificate that accompanies an absentee ballot.

Section 3. Clarifies that one of the voter identifiers must be a voter's date of birth.

Section 4. Clarifies that the voter certificate must include the information required in AS 15.20.030.

Section 5. States that the absentee ballot counting board shall examine the voter certificate and determine that it has been properly executed including a voter's signature and voter identifier.

Section 6. Clarifies that an absentee ballot may not be counted if the voter certificate does not contain a voter's signature or voter identifier.

Section 7. Removes the deposit amount for a recount from statute and requires the Director to adopt regulations establishing the amount and manner of payment for a recount.

Section 8. Gives the Division the flexibility to conduct voting by mail for communities with a population under 750 if necessary.

Section 9. Adds the definition of voter identifier into statute.

Section 10. Directs the Division to adopt regulations necessary to implement this bill.

Section 11. Makes Section 10 effective immediately.

[3:40:46 PM](#)

CHAIR SHOWER highlighted that while the court decision only applied to the 2020 elections, it did set precedent so nothing prevents a court from changing an election in a future emergency. He emphasized that, "The legislature is the constitutional authority for setting that law, not the courts."

SENATOR REINBOLD echoed the previous concern and voiced support for sidebars.

[3:42:00 PM](#)

SENATOR KAWASAKI asked Cori Mills with the Department of Law if the court case placed conditions other than the pandemic.

[Ms. Mills dropped off line and Senator Kawasaki posed a second question.]

[3:43:01 PM](#)

SENATOR KAWASAKI noted the perjury implications for a voter who falsifies information when providing an identifier on an election ballot application and asked if perjury also applies for anybody who signs as a witness.

[3:43:38 PM](#)

CORI MILLS, Deputy Attorney General, Civil Division, Department of Law, Alaska, Alaska, cautioned that she might need to correct

her answers after consultation with the criminal division. She said the applicable criminal laws are perjury and falsification and she believes that it would be a crime of falsifying a signed statement to falsely witness a ballot.

CHAIR SHOWER asked for the penalty for that crime.

MS. MILLS cited AS 15.56.040. Voter misconduct in the first degree. She offered her understanding that falsely witnessing would fall under that statute and it is a class C felony.

SENATOR KAWASAKI referred to the ballot he applied for but did not use. He noted that the only requirement under the witness affidavit is to be over age 18. He asked if she could explain why it was written that way.

MS. MILLS said she would guess that the language has been that way for some time, but she would defer to Ms. Fenumiai to explain the reason.

3:47:56 PM

GAIL FENUMIAI, Director, Division of Elections, Office of the Lieutenant Governor, Juneau, Alaska, confirmed that that language has been on the by mail return envelopes for at least the last two decades.

CHAIR SHOWER pointed out the very small print warning outside the box for the witness signature says, "False statements made by the voter or by the attesting witness on the certificate are punishable by law."

SENATOR KAWASAKI asked Ms. Mills for the basis for the unanimous decision in the 2020 elections court case.

MS. MILLS advised that it was a preliminary injunction motion in the superior court. The court looked at the pandemic and the health and safety risks of interacting with another person. The Department of Law (DOL) appealed the decision to the Alaska Supreme Court and that court found that the superior court judge did not abuse her discretion in granting the preliminary injunction. She clarified that the Supreme Court did not go into the merits of the case, just whether the decision was within the judge's discretion.

SENATOR KAWASAKI asked if she believes that DOL would be able to win the case in the Alaska Supreme Court if it weren't a pandemic and the argument was more broad-based.

MS. MILLS replied it was DOL's legal position that the law is constitutional both under the pandemic and if there weren't a pandemic.

3:51:50 PM

CHAIR SHOWER reported that in March 2020, the legislature took up the issue of the witness signature and the decision was to keep that requirement intact.

SENATOR HOLLAND referred to Section 8 on page 6 and asked about the benefit of providing a definition for the term "community."

CHAIR SHOWER noted that this was an area of overlap between SB 83 and SB 39. The Alaska Municipal League suggested the population of 750 and SB 39 provides a more nuanced definition. He asked Mr. Applebee to comment.

MR. APPLEBEE explained that the term "community" refers to any size town or village that has a population of less than 750 and that number is the break between small and larger.

SENATOR REINBOLD asked about defining the type of pandemic because she feels the situation of the COVID-19 pandemic has been exploited.

3:55:45 PM

MS. MILLS responded by adding precision to her response to Senator Kawasaki. She said the concerns were specific to COVID-19 and the evidence before the court was specific to transmissibility, death rates, and health information related to COVID-19. That is the information the plaintiff's council presented and the court weighed. The Department of Law put forward their own information, specifically related to COVID-19, about the safety options to get a witness signature.

SENATOR REINBOLD asked about providing a clear definition of "pandemic" in this or another bill that would be applicable in the future.

MS. MILLS said it is an interesting concept and the department would be willing to look at any proposal brought forward.

CHAIR SHOWER asked Mr. Appleby what led to the decision to make 750 the population cutoff for conducting an election by mail.

MR. APPLEBEE answered that the basis was conversations with community leaders and time spent recruiting election workers in rural areas. The determination was that 750 is the size where recruiting becomes difficult for an in-person election.

[3:59:26 PM](#)

CHAIR SHOWER asked Ms. Mills if DOL raised the issue of the courts' ability to change election law at either the state or federal level.

MS. MILLS answered no; this was a state-centered issue.

CHAIR SHOWER asked what protocols were in place to ensure the accuracy of the voter rolls.

MS. FENUMIAI advised that she provided a document to the committee that outlines the list maintenance processes that the division undertakes to keep the voter rolls in accordance with state and federal law. She asked if members had the document.

CHAIR SHOWER answered yes and asked for a 30,000-foot view.

[4:01:55 PM](#)

MS. FENUMIAI explained that the division follows the provisions in AS 15.07.130, which meets the guidelines under the National Voter Registration Act. The division participates in a 30-state cross matching program, sends notices to people who appear to be registered to vote in other states, and receives notices about voter deaths from a variety of sources. This includes information from the non-profit organization ERIC, secretaries of state offices, state health and analytics, voters' families, obituaries, and voters who request cancellation.

[4:03:36 PM](#)

SENATOR KAWASAKI asked if the division receives updated information when a person applies online for a permanent fund dividend (PFD) and they list an address that is different than is in the voter roll.

MS. FENUMIAI replied the division receives the information from the PFD and their process is to notify the person and ask if they want the information on the PFD application to update their voter registration record. These voters have a 30-day window to opt out of changing their voter registration record. If they do not opt out, the division uses the information they provided on their PFD application to update their voter registration.

SENATOR KAWASAKI asked if the system is automated or if there is discretion. He mentioned the PFD fraud unit that uses data to determine the truthfulness of residency claims.

4:05:05 PM

MS. FENUMIAI answered that the division takes the information at face value just as they do for those who register to vote, certified under penalty of perjury, directly with the division.

SENATOR KAWASAKI asked how the voter roll is affected when someone applies for a PFD and claims to be in the state but their IP address identifies them as applying from out-of-state.

MS. FENUMIAI asked for further clarification of the question because a voter does not need to be in the state to remain registered to vote.

4:06:13 PM

SENATOR KAWASAKI asked if the division has a way to prevent a person who lives out of state from becoming registered to vote if they apply for a PFD online claiming that they live at a former Alaska address.

MS. FENUMIAI answered no. A voter who registers through the PFD application and does not respond to the opt-out notice is registered to vote based on the information provided from the permanent fund.

CHAIR SHOWER added that his office recently learned that the data from the PFD application passes directly through to the Division of Elections.

SENATOR REINBOLD recalled a bill that allowed members of the military who had left Alaska to apply for a PFD if they intended to return at some time. She asked Ms. Fenumiai if she was aware of that legislation.

MS. FENUMIAI said she does not know the PFD rules, but Title 15 provides that an individual who has an intent to return does not lose their residency for voting purposes.

CHAIR SHOWER related his personal experience that when he was stationed outside Alaska he was always able to vote absentee but he did not receive the dividend.

SENATOR REINBOLD opined that "intent to return" ought to be defined.

[4:10:30 PM](#)

CHAIR SHOWER found no further questions and stated he would hold SB 83 in committee.

[4:10:38 PM](#)

At ease

SB 84-LAND VOUCHERS; PFDS

[4:11:07 PM](#)

CHAIR SHOWER reconvened the meeting and announced the consideration of SENATE BILL NO. 84 "An Act relating to the veterans' land purchase discount; establishing state land vouchers; relating to the permanent fund dividend; relating to the duties of the Department of Revenue; authorizing the Department of Natural Resources to accept state land vouchers; relating to eligibility for public assistance; and providing for an effective date."

He listed the individuals available to answer questions.

[4:11:38 PM](#)

MIKE BARNHILL, Deputy Commissioner, Department of Revenue (DOR), Juneau, Alaska, stated that SB 84 creates a program through the Permanent Fund Dividend (PFD) that allows applicants to elect a PFD land voucher in lieu of a cash dividend. The face value would be two times the statutory formula of the dividend. He said this is an opportunity for Alaskans to use their vouchers to purchase state land from the Department of Natural Resources (DNR). He described the precedent of land vouchers in this country that started after the American Revolutionary War to compensate veterans. He said the governor's objective is to get state land into the hands of Alaskans.

[4:13:50 PM](#)

MR. BARNHILL summarized the following sectional analysis for SB 84:

Section 1: Amends AS 38.05.940(c) to allow a veteran to apply one or more dividend land vouchers issued under AS 43.23.018 to the one-time purchase of discounted state land under AS 38.05.940(c) ("Land purchase price discount for veterans.")

Section 2: Amends AS 38.05.940(d) to limit a person using a dividend land voucher to purchase land under AS 43.23.018 to purchasing surface rights only, and to prohibit a person from applying a dividend land voucher to costs ineligible for a discount under the section.

Section 3: Amends AS 38.95 by adding three new sections.

Proposed AS 38.95.350 directs the Department of Natural Resources (DNR), on or after Jan. 1, 2022, to accept one or more dividend land vouchers at their face value for purchase of state land under land contracts. It prohibits DNR from accepting vouchers for payment of rents or fees or land purchases. A voucher will be exhausted after one use whether it covered the full land sale price or not, and applicants are entitled to no refund or other credit for any portion of the voucher's value remaining after such a sale.

Mental health trust land is excluded from state land that can be purchased with a voucher.

Proposed AS 38.95.360, requires DNR to report to the governor before September 1 of each year the number and total value of dividend land vouchers it accepted for payment in the previous fiscal year. The report shall include a recommendation for any additional appropriation for the Land Disposal Income Fund to account for decreases to the fund caused by acceptance of vouchers to pay for state land. Loss of these funds, if not replaced by another revenue source, will result in significant challenges to maintaining DNR's land sale programs.

Proposed AS 38.95.400 defines "department" to be DNR.

Section 4: Adds a new section, AS 43.23.018.

Subsection (a) directs DOR to allow a person using the electronic application for a Permanent Fund dividend - and not a person or public agency applying on behalf of another individual, or an assignee of the right to receive a dividend-to make an irrevocable election to receive a single dividend land voucher instead of a

monetary dividend. It directs DOR, if unable during a dividend year to determine whether an applicant is eligible to receive a dividend, to void that applicant's election to receive a dividend land voucher; if later determined to be eligible, the applicant will be eligible to receive a monetary dividend, but not to elect to receive a dividend land voucher.

Subsection (b) sets the value of a dividend land voucher at twice the value of a monetary dividend as calculated under AS 43.23.025 if 50 percent of income available distribution was deposited into the Fund's dividend fund under AS 37.13.145(b).

Subsection (c) limits the use of vouchers only to purchase of land under AS 38.95.350.

Subsection (d) provides that vouchers issued under this section do not expire.

Subsection (e) makes vouchers transferable to any person. The Department of Revenue is required to keep records of voucher transfers. An action against the state related to transfer of a state land voucher is prohibited.

Subsection (f) provides that issuing a land dividend voucher creates no obligation on DNR to make any state land available for sale or to enter any land sale contract, nor does it confer eligibility to purchase state land.

Subsection (g) provides that the value of a voucher subject to garnishment is set under AS 43.23.140(e). The Department of Revenue shall issue land vouchers for the value remaining after such collection.

Section 5: Amends AS 43.23.045 by adding a new subsection (f), directing that the cash from foregone PFDs resulting from individual elections to receive state land will, after garnishment under AS 43.23.140, lapse to the General Fund.

Section 6: Amends AS 43.23.055 to conform the Revenue commissioner's duties to include issuing state land vouchers under AS 43.23.180; directs Revenue to

develop regulations to establish procedures and time limits for voucher issuance and use, as well as for replacing a lost, stolen or destroyed land voucher; and directs Revenue to report annually to DNR both the number of individuals electing to receive land vouchers instead of monetary dividends, and the number and value of such vouchers issued.

Sections 7-8: Amends AS 43.23.140 by adding a new subsection (e) to specify that the value of a land voucher may only be garnished up to the amount available for garnishment from a monetary dividend.

Section 9: Adds a new subsection AS 43.23.240(d), directing the Department of Health and Social Services to consider a land voucher as income or resources of an applicant, in calculating that applicant's eligibility for public assistance programs it administers, and to notify all public assistance recipients of the effects of receiving a dividend land voucher.

Section 10: Adds a new subsection AS 43.23.250(b), to require financial needs-based programs administered by the state or by a state instrumentality or a municipality to consider the value of a dividend land voucher held by an applicant as income or resources in determining whether the person is eligible for the program.

Section 11: Adds a new subsection to AS 43.23.270. New subsection (f) applies the same penalties for violations of state law relating to Permanent Fund dividend eligibility and application, to dividend land vouchers eligibility and application.

Section 12: Establishes as the bill's effective date as January 1, 2022.

MR. BARNHILL deferred to Mr. Parsons to offer the Department of Natural Resources' (DNR) perspective of the bill.

4:17:56 PM

MARTY PARSONS, Director, Division of Mining, Land, and Water, Department of Natural Resources (DNR) Anchorage, Alaska, described SB 84 as a means to fulfill the constitutional mandate to help develop the land and resources of Alaska in the public

interest. He said he views the voucher as a win for both individuals and the state treasury. It is an opportunity to get more land into the hands of Alaskans.

CHAIR SHOWER asked how many acres of state land are eligible under the state land sale program and where it is located.

[4:20:59 PM](#)

MR. PARSONS stated that just over 2 million acres are classified as "settlement" and could be included in the land sale program. Much of it is remote, but there is some near Tok, Glenallen, Wasilla, and Fairbanks. He noted the lack of infrastructure in the state and said the department has tried to ensure that the land it offers has buildable sites.

CHAIR SHOWER asked him to talk about the size of the properties relative to the size of the PFD.

MR. PARSONS said five-acre parcels are about the average size and the cost is about \$3,000 per acre or \$15,000 for a five-acre parcel. He also noted the state's generous financing program for state land sales.

CHAIR SHOWER asked if unrelated individuals could pool resources to purchase a piece of land.

MR. PARSONS said he doesn't believe there are limitations but he would defer to Mr. Barnhill.

[4:26:40 PM](#)

MR. BARNHILL clarified that the legislation does not prevent individuals from pooling their land vouchers.

CHAIR SHOWER asked how the land is titled.

MR. BARNHILL said he assumes the title would be the same as would be granted in any other state land sale, but he would defer to Mr. Parsons.

MR. PARSONS confirmed that the title would be similar to any other land purchased from the state.

SENATOR HOLLAND asked how often the previous PFD voucher program was used.

MR. BARNHILL replied that legislation was never enacted into law.

SENATOR HOLLAND asked if the money stays in the Earnings Reserve Account (ERA) or transferred "to some portion of the state for the property."

4:28:24 PM

MR. BARNHILL referred to the hypothetical cash flow on page 4 of the PowerPoint to answer the question. He noted that he prepared the hypothetical at the committee's request last year when it considered similar legislation. He clarified that the hypothetical was not a projection; it showed how the money moves.

The example shows a statutory PFD of \$2,300 per person, actual appropriation of \$1,000 per person, and the land voucher under this bill of \$4,600 per person. Of the 640,000 PFD applicants, 600,000 elect the cash PFD and 40,000 elect the PFD land voucher.

The total amount appropriated from the ERA to the general fund (GF) to the PFD fund is 640,000 times \$1,000 or \$640 million. Of this, cash PFDs total \$600 million, \$40 million lapses to the GF because of land voucher elections (40,000 times \$1,000 or \$40 million), and the face value of the land vouchers is \$4,600 per person times 40,000 participants or \$184 million.

The hypothetical assumes \$300 million in land sales to which \$184 million in land sales is applied, leaving \$116 million that the purchasers would need to supply from personal resources to complete the \$300 million purchase.

The result of this hypothetical shows \$116 million in cash from the purchases plus \$40 million in unelected cash PFDs or \$156 million going to the general fund.

MR. BARNHILL displayed a mock-up of the land voucher to conclude the presentation.

CHAIR SHOWER found no questions and asked if he had any closing comments.

MR. BARNHILL reiterated that the purpose of SB 83 is to get state land into the hands of Alaskans and move residents to a higher degree of self-sufficiency.

CHAIR SHOWER stated support for the concept then highlighted the cost barrier to access the land.

[4:33:10 PM](#)

CHAIR SHOWER held SB 84 in committee.

SJR 1-CONST AM: GUARANTEE PERM FUND DIVIDEND

[4:33:26 PM](#)

CHAIR SHOWER announced the consideration of SENATE JOINT RESOLUTION NO. 1 Proposing amendments to the Constitution of the State of Alaska relating to the Alaska permanent fund and appropriations from the Alaska permanent fund.

He noted that the committee previously heard the bill and today would hear a summary followed by invited and public testimony.

[4:33:51 PM](#)

SENATOR BILL WIELECHOWSKI, Alaska State Legislature, Juneau, Alaska, sponsor of SJR 1, reminded the committee that that SJR 1 enshrines the original permanent fund dividend (PFD) in the Alaska Constitution and limits the draw from the fund corpus to five percent of a five-year averaged market value (POMV). The bill prioritizes the POMV draw to first pay a dividend to the people and government may use the remainder to pay government expenses. He explained that this is similar to an endowment program used by institutions worldwide.

SENATOR WIELECHOWSKI highlighted that SJR 1 eliminates the Earnings Reserve Account (ERA) because legislatures have access to that account. If earnings from the permanent fund continue to flow into the ERA, he said legislatures could repeatedly withdraw funds to the point that there would not be enough to pay a dividend.

He referenced the chair's earlier question about historic funding of PFDs through automatic transfers and directed attention to the brief in the bill packets. It recounts numerous occasions of fund transfers from the permanent fund to the dividend fund without appropriation. He explained that the basis of the argument in his lawsuit [Wielechowski v. Alaska] was that there does not need to be an appropriation for a dividend; therefore, the governor cannot veto the dividend.

[4:36:25 PM](#)

SENATOR HOLLAND asked if this legislation affected the Constitutional Budget Reserve (CBR).

SENATOR WIELECHOWSKI answered no.

[4:37:10 PM](#)

JOE GELDHOF, Board Member, Alaska Permanent Fund Defenders ("Defenders"), Juneau, Alaska, stated that Clem Tillion, chair of Defenders asked him to make a couple of macro points about the permanent fund and the PFD, the first of which is that the permanent fund was never intended to be a rainy day account for government spending. The second point is that the permanent fund is arguably the best idea that Alaska has had since statehood; it saves a portion of nonrenewable resources for future generations. Third, the PFD is not an entitlement; it is a form of ownership designed to meet the constitutional requirement that the resources of the state, which are held in common, are developed for the maximum use and benefit of Alaskans.

He related that Defenders believe that there is a critical need to quickly address the permanent fund and the PFD because too much has already been spent and too little has been saved. The state's savings accounts are dwindling and the options to address the state's fiscal problems are quickly disappearing. He said Defenders strongly believe that the legislature needs to enact legislation this session so the measure can be on the ballot in 2022. He recounted the basic principles that Defenders adopted for looking at any proposal such as SJR 1. The corpus of the fund must be protected from inflation; the permanent fund needs to continue to grow; spending funds that go into the ERA needs to stop; the annual brawl over the PFD must stop; and the legislation needs straightforward language that pays an equal PFD to all Alaskans and is easy for the public to understand.

[4:41:30 PM](#)

MR. GELDHOF said Chair Tillion likes what SJR 1 does in terms of allocation of the fund. The problem is that 5 percent arguably will jeopardize the corpus of the account. He reported that economists that Defenders worked with, the Permanent Fund Corporation and the people who run stress tests all agree that 5 percent may fail. He pointed out that the Rockefeller Foundation used 4 percent when it moved to a POMV structure. He emphasized that when shifting from a trust fund structure to an annuity structure, it is very important to set the percentage low enough for the fund to continue to grow and provide sufficient returns to provide for the PFD and general fund spending into perpetuity.

[4:45:52 PM](#)

RICK HALFORD, representing self, Chugiak, Alaska, stated that he was involved in the initial management structure of the PFD and

it received broad support and was viewed as clearly constitutional. He agreed with the previous testimony and added that what was lost most in the court case was the connection between the performance of the fund and the management structure that created such a successful fund. He said the dividend grew as a defense of the fund and the element of that defense was the realized gain averaged over five years.

MR. HALFORD pointed out that the POMV structure bases the draw on the gross value of the fund, not the performance of the fund and does not affect trustee decisions and the investment system. Transitioning to the POMV offers security and constitutional protection but the connection between the fund performance and the dividend is lost. He said that loss may be worthwhile if the number is low enough that the fund increases in value.

MR. HALFORD described a 4 percent POMV with language that retains the old calculation versus 50 percent of the new calculation as a big step in the right direction.

CHAIR SHOWER commented on the value of his historical perspective.

SENATOR REINBOLD asked if he would broaden the permanent fund to include taxes on all resources to promote development and better management of state resources.

MR. HALFORD replied he has many friends who believe severance tax should have been included initially, but the permanent fund is not based on taxes; it is based on ownership. The hope is that the renewable resources ownership will maintain value into the future. The concern is that this generation is spending in one generation the nonrenewable resources ownership that is the property of all generations of Alaskans. "We have not saved enough. We are spending the endowment as a trust land state of all future Alaskans in one generation," he said.

[4:54:01 PM](#)

CHAIR SHOWER asked him to comment on the prevalent attitude among some current and former legislators that the dividend is free money and they do not want an income tax to pay for it, which is very much at odds with the view that it belongs to the people.

MR. HALFORD related that Wally Hickel was famous for saying Alaska is an owner state and Jay Hammond individualized that by giving the people a stake in all of it. He said it is

interesting that people who were close to being in diapers are telling people what we meant when we created the permanent fund. He highlighted that Elmer Rasmusson and members of the permanent fund working group spent two years trying to get an answer to what the reason for the permanent fund was and they never reached a conclusion. The only agreement was that it was a savings account and the money should not be wasted.

4:57:34 PM

CHAIR SHOWER found no further questions and opened public testimony on SJR 1.

4:58:15 PM

CRIS EICHENLAUB, representing self, Wasilla, Alaska, stated that he supported SJR 1 generally but he did not support the POMV or the elimination of the ERA. He suggested that if the legislature repealed the POMV legislation [Senate Bill 26] the ERA could be left intact. Do it the way it's been done for the last 40 years, he said.

5:00:06 PM

SHERRY EICHENLAUB, representing self, Wasilla, Alaska, stated support for SJR 1 and enshrining the PFD in the constitution. She suggested that people who do not want their dividend can donate it through Pick Click Give or not apply. She wants the dividend to continue so her children and grandchildren can have a future in Alaska as college graduates and good citizens.

5:01:07 PM

EDWARD MARTIN, representing self, Cooper Landing, Alaska, stated that SJR 1 is an important aspect of the future of Alaska and its children. He reported that he has supported the dividend his entire life and his dad gathered signatures on the peninsula to get the advisory vote. Nothing has changed and there is no need for another advisory vote. He said the decision about what is done with the dividend should be an individual decision. The future of Alaska is the people as owners benefiting from the resources of the state.

5:03:30 PM

BERT HOUGHTALING, representing self, Big Lake, Alaska, began his testimony on SJR 1 by Governor Jay Hammond:

Alaska's dividend program is, of course, anything but socialistic. Socialism is taking from the wealthy to provide what government thinks is best for all. Permanent Fund Dividends do just the opposite. They

take the money, which by constitutional mandate, belongs to all and allows all individuals to determine how to spend some of his or her share. What could be more capitalistic?

MR. HOUGHTALING stated full support for enshrining the PFD in the constitution but not having Senate Bill 26 involvement with the POMV or the elimination of the ERA and combining it with the corpus. They need to be separate so the corpus cannot be spent, he said. He advocated for continued meaningful cuts to state government.

CHAIR SHOWER advised that written comments could be sent to ssta@akleg.gov.

[5:06:01 PM](#)

CHAIR SHOWER closed public testimony on SJR 1.

[5:06:15 PM](#)

At ease

[5:06:47 PM](#)

CHAIR SHOWER reconvened the meeting and solicited a motion.

[5:06:58 PM](#)

SENATOR REINBOLD moved to report SJR 1, work order 32-LS0015\A, from committee [with individual recommendations and attached fiscal note(s)].

CHAIR SHOWER found no objection and SJR 1 was reported from the Senate State Affairs Standing Committee.

[5:07:23 PM](#)

At ease

[5:08:39 PM](#)

CHAIR SHOWER reconvened the meeting and reviewed the agenda for upcoming meetings.

[5:08:59 PM](#)

There being no further business to come before the committee, Chair Shower adjourned the Senate State Affairs Standing Committee meeting at 5:08 p.m.